

Message Text

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DRAFTED BY EB/OT/TA:DGRIMMER:LV

APPROVED BY EB/ITP:MGLITMAN

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652; N/A

TAGS: ETRD, CA

SUBJECT: CANADIAN-US EGG AND TURKEY TRADE CONSULTATION

1. ON DECEMBER 4, R.E. LATIMER, ASSISTANT DEPUTY MINISTER (IT&C) AND GHERSON FROM THE CANADIAN EMBASSY MET WITH DEPUTY ASSISTANT SECRETARY GLITMAN, AND STR AND USDA REPRESENTATIVES TO DISCUSS THE CANADIAN EGG AND TURKEY IMPORT QUOTA SYSTEMS. MR. GLITMAN NOTED THAT WE WERE PLEASED WITH SOME OF THE PROPOSED MODIFICATIONS THE CANADIANS MADE IN TURKEY MARKETING PROGRAM SUBSEQUENT TO THE SEPT. 25 CONSULTATIONS. HOWEVER THE CANADIANS WERE ADVISED THAT SERIOUS PROBLEMS STILL REMAIN AND WE HAVE DOUBTS THAT CANADA IS FULFILLING ARTICLE XI REQUIREMENTS TO CONTROL PRODUCTION OR MARKETING ON TURKEYS. HE STRESSED

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THAT THE CANADIAN PROPOSED FIVE YEAR BASE PERIOD IS NOT

REPRESENTATIVE, DOES NOT GIVE THE US A FAIR SHARE OF THE MARKET, AND DOES NOT REFLECT THE RECENT PERMANENT UPWARD TREND IN US TURKEY EXPORTS TO CANADA. HE NOTED THAT CANADA USED DYNAMIC FACTORS IN DETERMINING ITS TURKEY PRODUCTION, BUT FAILED TO APPLY DYNAMIC PRINCIPLES IN CHOOSING THE BASE PERIOD.

2. MR. GLITMAN SAID THE MOST RECENT 24 MONTH PERIOD (CY1972-73) WOULD BE THE MOST REPRESENTATIVE BASE PERIOD IN OUR VIEW. HE PROPOSED THAT CANADA AND THE US COULD REVIEW THE BASE PERIOD AFTER FOUR TO FIVE YEARS AND PERHAPS

SET ANOTHER BASE PERIOD BASED ON DEVELOPMENTS.

3. LATIMER INQUIRED WHETHER THE US WAS CONCERNED ABOUT PRINCIPLE OR TRADE DAMAGE WITH REGARD TO THE CANADIAN IMPORT QUOTA SYSTEM. WE RESPONDED THAT THE US IS INTERESTED IN BOTH, BUT PARTICULARLY TRADE DAMAGE. WE ALSO QUESTIONED THE CANADIANS ABOUT REPORTS OF INCREASINGLY LARGE TURKEY STOCKS AND THEIR FORESEEABLE IMPACT ON FUTURE CANADIAN TURKEY PRODUCTION. LATIMER ACKNOWLEDGED THAT THESE STOCKS WOULD HAVE TO BE DEALT WITH BUT DID NOT SPECIFY HOW. GLITMAN NOTED THAT THE CANADIAN MARKETING PROGRAMS THROUGH THE STABILIZATION OF PRICE, PRODUCTION, AND MARKETING OF TURKEYS AND EGGS, PROVIDED CANADIAN PRODUCERS SUBSTANTIAL BENEFITS AND EQUITY ALONE WOULD REQUIRE THAT US PRODUCERS BE ABLE TO MAINTAIN A FAIR SHARE OF THE CANADIAN MARKET.

4. ON EGGS, WE NOTED THAT CANADIAN SHIPMENTS WERE STILL CAUSING A PROBLEM IN THE US MARKET AND WERE SUBJECT OF AN ANTI-DUMPING INVESTIGATION. WE INQUIRED ABOUT THE RECENT FAILURE OF CERTAIN CANADIAN PROVINCES (ONTARIO AND QUEBEC) TO KEEP EGG PRICES AT THE CEMA REQUIRED LEVEL. LATIMER RESPONDED THAT CEMA PARTICIPATION IS NOT SUPPOSED TO BE VOLUNTARY AND THAT THE CANADIAN EGG SITUATION IS A "REAL MESS", WITH THE LONG STANDING PROVINCIAL EGG WAR CONTINUING. HE ADMITTED THAT CEMA IS INDEED VULNERABLE TO QUESTIONING UNDER GATT ARTICLE XI. GLITMAN SUGGESTED THAT GOC COULD REQUEST AN ADVISORY GATT REVIEW LIMITED OFFICIAL USE

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OF ITS EGGS AND TURKEY MARKETING SYSTEM, CONCERNING GATT ARTICLE XI CONFORMITY.

5. AT THE CONCLUSION OF THE CONSULTATION, WE EXPRESSED OUR HOPE THAT THIS DISPUTE COULD BE RESOLVED IN A REASONABLE MANNER BILATERALLY. HOWEVER, FAILING BILATERAL RESOLUTION, WE ARE PREPARED TO PROCEED UNDER ARTICLE XXIII OF THE GATT. THE PAPER (COPY POUCHED) WHICH THE US

DELEGATION SUBMITTED TO THE CANADIANS FULFILLS THE PROVISIONS OF GATT ARTICLE XXIII:I AND CONTAINS THE FOLLOWING QUESTIONS ON WHICH THE US WOULD APPRECIATE CLARIFICATION.

A. BASE PERIOD. IT IS NOT CLEAR FROM THE PAPER EXACTLY HOW THE QUOTAS ARE CALCULATED. SPECIFICALLY, ARE WE CORRECT IN ASSUMING THAT THERE WILL BE A MOVING BASE PERIOD? WOULD THE 1969-73 FIVE-YEAR MONTHLY NET IMPORT AVERAGE BE ADJUSTED TO REFLECT THE MOST RECENT FIVE YEAR MONTHLY NET IMPORTS?

B. ADJUSTMENT FOR PRODUCTION CHANGES. HOW WILL THE IMPORT QUOTAS BE ADJUSTED IN RESPONSE TO ESTIMATES OF CANADIAN PRODUCTION WHICH EXCEED THE BASE PERIOD LEVELS? FOR EXAMPLE, WHEN A QUARTERLY ESTIMATE SHOWS ESTIMATED PRODUCTION FOR CALENDAR YEAR 1975 IS 5 ABOVE THE BASE PERIOD, WILL THE QUOTA FOR EACH OF THE REMAINING MONTHS OF THE CALENDAR YEAR BE INCREASED SO THAT THE TOTAL QUOTA FOR 1975 IS 5 ABOVE THE BASE PERIOD QUOTA? IF QUOTAS ARE REVISED UPWARD AT THE END OF A YEAR, WILL POSSIBLE UNUSED PORTIONS BE ALLOWED TO CARRY OVER INTO THE NEXT YEAR? IF PRODUCTION IS ESTIMATED TO BE BELOW THE BASE PERIOD AVERAGE, WILL QUOTAS BE ADJUSTED DOWNWARD?

C. ADMINISTRATION. WILL THE TURKEY QUOTAS BE SET ON A MONTHLY, QUARTERLY, OR ANNUAL BASIS? WERE CANADIAN EGGS THAT WERE EXPORTED TO THE US FOR FURTHER PROCESSING AND SHIPPED BACK TO CANADA COUNTED AGAINST THE PROCESSED EGG QUOTAS?

6. LATIMER SAID CANADA WOULD RESPOND SOON ON THE QUESTIONS AND PROPOSALS RAISED IN THE DISCUSSION AND THE US PAPER. LIMITED OFFICIAL USE

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HE INDICATED THAT A RESPONSE THROUGH EMBASSY OTTAWA MIGHT FACILITATE MATTERS AND THE EMBASSY MAY EXPECT, THEREFORE, TO BE CONTACTED DIRECTLY. INGERSOLL

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